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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 9, 2001

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

Ex Parte, In re: Investigation of  
the appropriate level of intrastate  
access service prices

CASE NO. PUC000003

ORDER ON PROPOSED SETTLEMENT

On December 21, 2000, Central Telephone Company of Virginia, United Telephone - Southeast, Inc. (collectively, "Sprint"), and the Staff ("Staff") of the State Corporation Commission ("Commission") filed a Motion to Approve Settlement of Case in Case No. PUC000003 and set forth a proposed Settlement Agreement ("Agreement") regarding intrastate access services and prices for Sprint.

On January 5, 2001, the Hearing Examiner assigned to Case No. PUC000003 entered a Certification of Ruling to the Commission recommending that the Commission establish a procedure for considering comments on the merits of the changes in the access rates set forth in said Agreement and any related issues thereto. By Order dated January 17, 2001, we established a procedural schedule for receiving comments or requests for hearing on the proposed settlement. We subsequently modified the schedule in response to motions from AT&T Communications of

Virginia, Inc. ("AT&T") by Orders dated January 31 and February 14, 2001, and in response to a motion from Sprint, by Order dated February 27, 2001. The Staff, Sprint, and the parties had advised us that additional settlement negotiations were taking place and that revisions to the originally proposed settlement had been agreed upon among them.

On March 2, 2001, Sprint and the Staff filed a Motion to Approve Amended Settlement together with an executed copy of their new agreement ("Amended Agreement").<sup>1</sup> By Order dated March 8, 2001, we provided for receiving comments, reply comments, and requests for hearing on the Amended Agreement proffered by the Staff and Sprint. Comments on the Agreement and the Amended Agreement were received, at various times, from AT&T and the Office of the Attorney General, Division of Consumer Counsel. Sprint filed reply comments.

NOW THE COMMISSION, having considered the documents and pleadings of record, the Amended Agreement, and the comments and reply comments thereto, as well as the applicable statutes and rules, is of the opinion and finds that the Amended Agreement is reasonable and should be approved. We find that the negotiated

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<sup>1</sup> Primarily, the Amended Agreement removed IntraLATA Toll Originating Responsibility Plan ("ITORP") minutes from the settlement calculations and updated the information otherwise used in the Staff's and parties' negotiations. The Staff and Sprint stated that the Amended Settlement represented a greater reduction in Sprint revenues than was reflected in the original Agreement.

access price reductions contained in the Amended Agreement are in the public interest.

In our Order establishing Case No. PUC000003, we discussed that factors other than cost would be considered in establishing the proper level of intrastate access charges and invited all interested parties to submit testimony and evidence as to any other factors the Commission should consider. We agree with AT&T that Sprint's access rates will, even as reduced, remain above the cost of providing this service, but cost has been only one of the factors for our consideration in setting access prices. Nonetheless, the price reductions proposed in the Amended Agreement are significant and should result in substantial customer benefits. The Motion to Approve Settlement represents that over the 2001-2005 period, the switched access rate reductions ordered here are estimated to result in a revenue reduction of \$45 million. Sprint has agreed these reductions will not be made up in the form of higher rates for basic local exchange telecommunications services. We find no compelling reason to order further reductions at this time.

The Commission does not view this Amended Agreement as the last opportunity the parties may have to address the issue of access charges set above cost. The last access charge revisions and reductions contemplated by the Amended Agreement will occur on January 1, 2003. The parties remain free, of course, to

discuss and negotiate further rate modifications that they may propose to us to take effect after that date, or may thereafter request opening a proceeding to revisit this question. The Commission may find it necessary to take this last step on its own initiative. For now, we will direct our Staff to monitor the actual reductions in the effective switched access rate per minute to ensure that the reductions contained in the Amended Agreement and ordered herein occur. Therefore, the Commission will require Sprint to file appropriate documentation on the impact of the Amended Agreement access changes and revisions, showing the effective access rates. Such reports should be filed annually with the Division of Communications beginning January 1, 2002, and continuing through and including January 1, 2004, unless otherwise ordered by the Commission.

Accordingly, IT IS ORDERED THAT:

(1) The Amended Agreement is approved and adopted in its entirety.

(2) Sprint shall forthwith file with the Division of Communications tariff revisions effecting the access price reductions contained in the Amended Agreement and approved herein.

(3) Sprint shall make timely tariff revisions to effect each successive access price reduction contained in the Amended Agreement and approved herein.

(4) Sprint shall file an annual report demonstrating the revenue and switched access per minute rate impact of the tariff changes adopted in the Amended Agreement beginning January 1, 2002, through January 1, 2004.

(5) There being nothing further to come before the Commission, this matter is dismissed.